

IASCA Newsletter

March 2016 - Issue 16

YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

IN THIS ISSUE

Chinese Ambassador: China Pledges \$55b for Arab Region **1**

IASCA Finalizes Design of the Arab Audit Institute-approved Training Curricula **2**

The IFRS Expert Examination of February 2016 **3**

The 2016 Red Book is Now Available **3**

FASB Amends Revenue Recognition Standard **3**

IAASB Highlights How Expected Credit Loss Models Will Affect Auditors; Signals Broader Efforts to Strengthen Auditor Efforts on Accounting Estimates **5**

IFAC Global Survey: Accountants' Performance Expectations for Coming Year Moderate but Remain Optimistic, Despite Concerns over Economic Slowdown **5**

Chinese Ambassador: China Pledges \$55b for Arab Region



AMMAN - The Economic Policy Development Forum (EPDF) hosted Chinese Ambassador to Jordan .HE Mr. Pan Weifang in a discussion session headed by HE Dr. Talal Abu-Ghazaleh.

During the session attended by opinion leaders, ministers and experts, participants discussed the document developed by Chinese government on China's policy regarding Arab region.

The Ambassador stated that China is interested in improving ties with the Arab region and increasing the number of projects, and welcoming any projects proposed by the country or any of its business sectors to make use of the \$55 billion support.

During the session, the Ambassador and participants agreed on the following:

- Establishment of a joint economic council or working group to review and submit initiatives.

- Benefiting from the experience and support of China in the areas of vocational, technical and applied education.
- Establishment of a technical joint area/zone.
- China to assign a team of experts to offer suggestions regarding traffic jams in Amman.
- Establishment of a Chinese research center for joint projects.
- Expediting the establishment of a Chinese-Jordanian university and ensuring specialization in vocational and crafts-related studies.
- Benefitting from China's experience in the establishment of the economic belt of the Silk Road.

The Ambassador explained that China's current policy focuses on the following points:

- Focusing on improvement of citizens' life (1.3 billion citizens) in a way that achieves their welfare.

- Focusing on creativity to develop new inventions.
- Getting out from Chinese borders at the economic and educational levels to the rest of the world.
- Carrying out further reforms, combating corruption and focusing on openness and transparency.

Harnessing China's capabilities in the infrastructure development area.

"Given that China is the second-largest economy in the world and the largest trading nation in the world, it feels the need to more efficiently interact with other world economies, including Middle Eastern states and the Arab states in particular," the Ambassador added.

He stated that China has historical ties with the Arab states and "we are working on improving them in a view to overcoming common challenges and achieving the benefits and values that benefit the two countries."

He addressed the recent visit of HM King Abdullah II to China, during which a group of cooperation agreements were signed, stating that China is working on putting those agreements into effect in a way that serves both parties' interests.

During the session, the Chinese Ambassador expressed his thanks and appreciation to Dr. Abu- Ghazaleh for his invitation and for giving His Excellency the opportunity to organize this constructive dialogue.

IASCA Finalizes Design of the Arab Audit Institute-approved Training Curricula



AMMAN - The International Arab Society of Certified Accountants (IASCA) finalized design and development of the training curricula and material to be approved by the Arab Audit Institute, recently established by the Audit Bureau.

The bid, awarded to IASCA last year by the Audit Bureau, included development and design of training materials of International Internal Audit Standards (IIA), International Public Sector Accounting Standards, Information Technology Control, Bidding and Procurement Procedures, and audit of final accounts of the state and independent government units.

IASCA's approach in designing the training programs was based on the International Standards on Auditing whereby the most recent professional standards publications issued by the Society in Arabic were applied. IASCA annually re-issues such publications including the updates on the international standards, as well as all accounting standards.

In the same context, IASCA is working on development of manuals on auditing for the Audit Bureau «Development of audit methodologies in areas of specialized auditing», which is the second bid awarded to IASCA by the Audit Bureau funded by the World Bank.

The IFRS Expert Examination of February 2016

AMMAN - The International Arab Society of Certified Accountants (IASCA) announced the Examination Results of the International Financial Reporting Standards (IFRS Expert) - February 2016 session.

A significant number of students sat for the IFRS Expert exam from around the Arab world.

It is worthy to mention that the IFRS Expert certificate aims to build and develop the necessary knowledge capacities related to the theoretical and conceptual aspects of the International Financial Reporting Standards, to be able to professionally apply the IFRSs in accounting, and enable the continuous professional development in the IFRSs field and follow up relevant amendments and updates.

IASCA Management congratulates the successful students and wishes success in the next session to those who did not pass.



The 2016 Red Book is Now Available

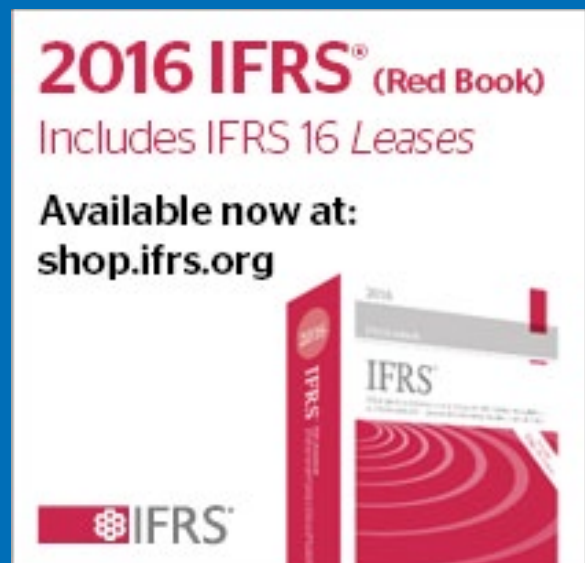
LONDON - The IFRS Foundation announced that the 2016 International Financial Reporting Standards (Red Book) is now available. It is also available to purchase as a PDF download or as a bundled product, which includes both the printed copy of the 2016 IFRS (Red Book) and the PDF download.

What's new in this edition?

The Red Book includes Standards that have an effective date after January 1, 2016. This edition is presented in two volumes, Parts A and B, and includes the following changes made since January 1, 2015:

- one new Standard—IFRS 16 Leases;
- Change of Effective Date of IFRS 15; and
- Change of Effective Date of Amendments to IFRS 10 and IAS 28.

For more information and to purchase the book please go to our [Web Shop](#).



The Red Book is part of the eIFRS Comprehensive Subscription and, therefore, subscribers will receive a copy automatically. To find out more about subscribing, please [click here](#).

FASB Amends Revenue Recognition Standard

The Financial Accounting Standards Board has amended the converged revenue recognition standard it developed with the International Accounting Standards Board to add more guidance about principal versus agent considerations.



The changes in the accounting standards update reflect an issue identified by the joint Transition Resource Group, or TRG, that FASB and the IASB set up in 2014 after issuing

the long-awaited revenue recognition standard. The group asked for further guidance on several issues, including principal versus agent considerations, and both FASB and the IASB agreed to amend the standard. Both boards issued proposed changes last summer (see FASB Proposes to Clarify Revenue Recognition Standard and IASB Proposes Changes in Revenue Recognition Standard). The changes should not affect the convergence between the standards under US GAAP and International Financial Reporting Standards since they are identical.

An issue discussed by the TRG relates to when another party, along with the entity, is involved in providing a good or a service to a customer. Under those circumstances, the revenue recognition standard, known as Topic 606 in FASB's Accounting Standards Codification, requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent).

The determination is based upon whether the entity controls the good or service before transferring it to the customer. Members of the Transition Resource Group told FASB and the IASB about implementation issues related to the guidance on principal versus agent considerations, including identifying the unit of account at which an entity should assess whether it is a principal or an agent; identifying the nature of the good or the service provided to the customer (for example, whether it is a good, a service, or a right to a good or service); applying the control principle to certain types of transactions, such as service arrangements; and interaction of the control principle with the indicators provided to assist in the principal versus agent evaluation.

To address those issues, the boards decided to add a project to their technical agenda to improve the standard. FASB said the core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The amendments do not change the core principle of the guidance, FASB noted. They simply clarify the implementation guidance on principal versus agent considerations. When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). When an entity that is a principal satisfies a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The guidance includes indicators to help an entity determine whether it controls a specified good or service before transferring it to the customer.

Last summer, FASB and the IASB jointly decided to defer the effective date of the revenue recognition standard for one year. U.S. public companies should apply the new revenue standard to annual reporting periods beginning after Dec. 15, 2017. Nonpublic organizations should apply the new revenue standard to annual reporting periods beginning after Dec. 15, 2018.

IAASB Highlights How Expected Credit Loss Models Will Affect Auditors; Signals Broader Efforts to Strengthen Auditor Efforts on Accounting Estimates

The International Auditing and Assurance Standards Board® (IAASB®) released a publication highlighting the audit issues arising from the shift to Expected Credit Loss (ECL) models when accounting for loan losses. ECL models are now required, or will soon be required, by some financial reporting frameworks, including IFRS 9, Financial Instruments, which will come into effect from January 1, 2018.

“The adoption and implementation of ECL models will, in many cases, bring significant challenges for auditors, management, those charged with governance (e.g., audit committees), supervisors, and users,” explained IAASB Chairman Prof. Arnold Schilder. “Auditors need to be aware of the changes related to ECL and the implications for audits. Auditors will need to be actively engaged in 2016 and 2017, in particular to understanding how an entity is planning for the adoption and implementation of its ECL models.”

The publication summarizes the audit challenges identified with respect to ECL and sets out initial thinking on how these challenges may be addressed under the current International Standards on Auditing™ (ISA™). The publication has been developed by a task force comprised of IAASB members and technical advisors, representatives from the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, bank auditors, and an observer from the US Public Company Accounting Oversight Board.

“Our work to date has benefited from input from different stakeholders from around the world,” highlighted Task Force Chair Rich Sharko. “The publication issued [today] is the result of extensive outreach with regulators, expert

IAASB

auditors from different industries, and others to capture the significant issues that arise in dealing with ECL models, as well as how they may be addressed under the current ISA pronouncements.”

“As a result, the publication is particularly relevant for auditors of financial institutions and other entities that have substantial credit risk exposures through holdings of loans and similar financial assets,” noted Task Force Co-Chair Marc Pickeur.

The publication also discusses how the IAASB’s new standard-setting project to revise ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, will seek to further address these and other challenges that have been noted in respect of auditing accounting estimates, including in relation to audits of financial institutions.

“Accounting estimates are becoming more complex and subjective, and are critical to a user’s understanding of an entity’s performance,” noted IAASB Technical Director Kathleen Healy. “The IAASB will consider what revisions are necessary to ISA 540 to promote audit quality in the varied and complex scenarios that arise today, and that are likely to continue to evolve in the future.”

For more information, visit
www.iaasb.org/auditing-estimates.

IFAC Global Survey: Accountants’ Performance Expectations for Coming Year Moderate but Remain Optimistic, Despite Concerns over Economic Slowdown

NEW YORK, New York— Accountants working in small- and medium-sized practices (SMPs) are generally optimistic about performance in 2016, as a majority predict revenues will stay the same or increase across all service lines, according to the latest IFAC Global SMP Survey results (full report and summary). However,

optimism is not at the same level as a year ago as growth projections across service lines have dropped since 2014.

While performance expectations decreased from a year ago, SMPs indicate that their challenges are somewhat less acute than last year. As in 2014, the most pressing challenges



for SMPs in 2015 were: attracting new clients (47% high or very high challenge), keeping up with new regulations and standards (44%), differentiating from the competition (43%), and pressure to lower fees (41%).

The 2015 IFAC Global SMP Survey received 6,725 respondents, representing 169 countries and more than 800,000 SME clients around the world, making it the largest survey of SMPs. The survey was conducted October–November 2015 in 22 languages.

It is well recognized that professional accountants are a preferred source of advice for SMEs, typically forming long-term relationships founded on trust. SMEs account for the vast majority of businesses globally and, in most jurisdictions, account for the majority of private sector GDP, employment, and growth.

“Collectively, this is a large and important sector whose views are important to hear,” said IFAC CEO Faye Choudhury. “The health of the SME sector is a barometer of the vitality of a nation’s economy and of global trade and commerce at large. Listening to SMEs through their accountants - who know them well - is a critical exercise that allows IFAC and its member organizations to better support them, which in turn supports stability and growth more broadly.

Additional key findings from the survey include:

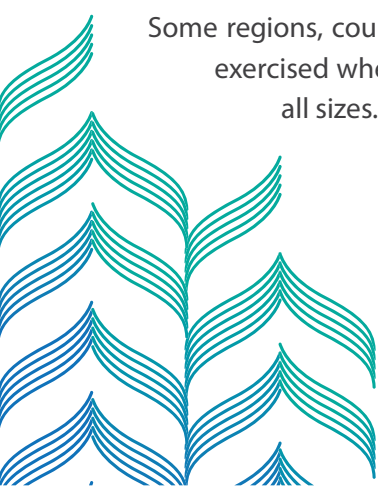
SMPs recognize the value of offering business advisory and consultancy services.

- A significant majority of respondents provide some form of advisory services, with tax planning (52%), corporate advisory (45%), and management accounting (41%) being the most common.
- SMEs face a number of challenges, with economic uncertainty consistently topping the list.
- Consistent with 2014, the top challenges facing SME clients were economic uncertainty (61% high or very high challenge) and rising costs (58%).
- Looking ahead, competition and regulatory developments will continue to be dominant factors in the SMP business environment.
- Consistent with 2014, the regulatory environment (52% high or very high impact) and competition (46%) topped the list of environmental factors most likely to impact SMPs over the next five years, followed by technology developments (43%).

“For the second consecutive year, SMPs have predicted that technology and regulatory developments will have the biggest impact on them in the future; they will need to be nimble and adapt in order to remain competitive,” said IFAC SMP Committee Chair Giancarlo Attolini. “While changes in technology are inevitable, we need to continue contributing to the development of international standards that are stable, relevant, and can be applied in a manner proportionate to the size of the entity or practice. And, as a profession, we need to help SMPs and SMEs adapt and prepare for changes by continuing to listen, develop guidance, and encourage knowledge sharing so they are well positioned to thrive in the future.”

The survey design and reporting were undertaken in collaboration with Sarah Webber and Donna L. Street, lead researchers from the University of Dayton (US). IFAC wishes to thank the many member and regional organizations that helped with translation and distribution of the survey. See the full results, including breakdowns by region and size of practice, and subscribe to receive SMP updates, on the IFAC website: www.ifac.org/SMP.

Some regions, countries, and larger SMPs were not well represented in the survey results; caution should be exercised when attempting to generalize survey results to specific countries, specific regions, or SMPs of all sizes.



FOR MORE INFORMATION

Tel: (0962-6) 5100900

Fax: (0962-6) 5100901

Or you may reach us electronically through our website:
ascasociety.org

And our emails:

asca.jordan@iascasociety.org

salouri@iascasociety.org

www.facebook.com/ASCAsociety

This Newsletter is Published by
the International Arab Society of Certified Accountants (IASCA)

© IASCA 2016

Reproduction is permitted provided
that the source is acknowledged.

